

## Message Text

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PAGE 01    OECD P 37944 01 OF 02 232210Z  
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07  
EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06  
OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 AGRE-00  
OMB-01 DODE-00 DOTE-00 FMC-01 SAL-01 CG-00 DLOS-06  
OES-06 L-03 OIC-02 SS-15 NSC-05 /123 W  
-----232231Z 112676 /73

R 232351Z DEC 76  
FM USMISSION OECD PARIS  
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INFO ALL OECD CAPITALS 0662  
USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 01 OF 02 OECD PARIS 37944

E.O. 11652: N/A  
TAGS: OECD, ETRN  
SUBJECT: DECEMBER 17 COUNCIL MEETING: EC LEADS CHORUS  
          URGING JAPAN TO ACCEPT ORDER SHARING SCHEME  
          IN SHIPBUILDING

REFS: (A) OECD PARIS 36562, (B) OECD PARIS 36225,  
      (C) C/A(76)24 (PROV.) (1ST REVISION)

SUMMARY: LED BY EC COMMISSION REP MOST EUROPEAN REPS  
USED OCCASION OF REPORT ON ACTIVITY OF SHIPBUILDING  
WORKING PARTY TO URGE ACCEPTANCE OF EC PROPOSAL TO  
ESTABLISH QUOTE REGIONAL BALANCE UNQUOTE IN PLACING NEW  
ORDERS FOR SHIPS BETWEEN EUROPE AND JAPAN (ON FIFTY/  
FIFTY BASIS). EUROPEANS AND JAPAN ACCEPTED EC  
AMENDMENT TO DRAFT ENTRY IN COUNCIL MINUTES NOTING WP-6  
REPORT. AMENDMENT STATES THAT COUNCIL INSTRUCTED WP TO  
QUOTE INTENSIFY EFFORTS UNQUOTE TO ACHIEVE RAPID AND  
CONCRETE RESULTS. US, CANADA AND PORTUGAL ABSTAINED  
FROM THIS ACTION. END SUMMARY  
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PAGE 02    OECD P 37944 01 OF 02 232210Z

1. REPORT BY WP-6 CHAIRMAN (C(76)226 & C/M(76)23  
(PROV.) PART I) -

AMBASSADOR GRUBEL, CHAIRMAN (SWITZERLAND) REPORTED ON  
WP'S ACTIVITIES DURING PAST YEAR. HE NOTED THAT NOT

ALL OECD MEMBER COUNTRIES BELONG TO THE WP BECAUSE OF QUOTE UNWILLINGNESS UNQUOTE OR QUOTE DISINTEREST UNQUOTE. (THE US IS NOT A MEMBER OF THE WP NOR A SIGNATORY TO ANY OF ITS PROTOCOLS.) GRUBEL OBSERVED THAT A RETURN TO EQUILIBRIUM IN SHIPBUILDING MARKET WILL REQUIRE A WORLD-WIDE SHIPBUILDING CAPACITY REDUCTION OF SOME 35-40 PERCENT IN TERMS OF MANPOWER BY 1980. THUS, HE SAID, INTERNATIONAL COOPERATION IS IMPERATIVE TO MINIMIZE THE ECONOMIC/SOCIAL IMPACT IN MEMBER COUNTRIES. THIS, HE SAID, CAN BE EFFECTED BY SHARING THE BURDEN OF REDUCTIONS, AND ESTABLISHING A MECHANISM TO MONITOR NEW ORDERS. GRUBEL ADDED THAT, SINCE THE CONSEQUENCES OF SHIPBUILDING CRISIS ARE LARGELY SOCIAL, THE WP ACCEPTED THE TRADE UNION ADVISORY COMMITTEE'S REQUEST TO MEET WITH THE WP NEXT YEAR.

## 2. EC PROPOSAL -

GRUBEL SAID THAT BECAUSE OF THE REGIONAL IMBALANCE IN PLACING NEW ORDERS, THE EC MADE PROPOSALS AT THE LAST WP MEETING TO REESTABLISH EQUILIBRIUM BETWEEN EUROPE AND JAPAN. HE ADDED THAT TALKS THIS WEEK IN TOKYO BETWEEN EC AND JAPANESE AUTHORITIES WILL QUOTE FACILITATE THE TASK OF THE WP UNQUOTE. EC COMMISSION PERM REP SUGGESTED AMENDMENT TO DRAFT ENTRY IN COUNCIL MINUTES NOTING THE CHAIRMAN'S REPORT, WHICH WOULD INSTRUCT WORKING PARTY TO QUOTE INTENSIFY ITS EFFORTS TO ACHIEVE EARLY AND CONCRETE RESULTS IN PUTTING INTO EFFECT UNQUOTE GUIDELINES. UK REP GAVE MOST LENGTHY STATEMENT OF RATIONALE IN SUPPORT OF EC PROPOSAL. HE LIMITED OFFICIAL USE

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PAGE 03     OECD P 37944 01 OF 02 232210Z

SAID GUIDELINES HAD SO FAR PROVED INEFFECTIVE, THAT PRICES HAD CONTINUED TO DROP AND DESPITE JAPANESE GOVERNMENT'S DECLARED INTENTION, JAPAN'S SHARE OF ORDERS HAD INCREASED SUBSTANTIALLY DURING 1976. DURING FIRST THREE QUARTERS OF THIS YEAR, 60 PERCENT OF GROSS TONNAGE ORDERED WORLD-WIDE WENT TO JAPANESE. IN TERMS OF COMPENSATED TONNAGE REFLECTING LABOR INPUT, FIGURE WAS EQUIVALENT TO OVER 70 PERCENT OF WORLD ORDERS. LATER FIGURE INDICATED DISPROPORTIONATE SHARE OF UNEMPLOYMENT EUROPEAN YARDS WERE BEING ASKED TO BEAR. MANY MAJOR UK AND EUROPEANS WOULD BE RUNNING OUT OF WORK IN 1977 AND 1978 IF PRESENT CONCENTRATION OF NEW ORDERS IN JAPAN CONTINUED, AS WOULD NO DOUBT BE THE CASE AT PRESENT PRICE LEVELS. THEREFORE, FAIR DISTRIBUTION OF NEW ORDERS WAS ESSENTIAL TO INSURE EQUITABLE SHARING OF BURDEN UNDER THE GUIDELINES. EC PROPOSALS WERE NO MORE THAN GENTLEMEN'S AGREEMENT TO EXERT VOLUNTARY RESTRAINT TO INSURE THAT NEW ORDERS TAKEN BY JAPAN AND WEST

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PAGE 01     OECD P 37944 02 OF 02 232217Z  
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LIMITED OFFICIAL USE SECTION 02 OF 02 OECD PARIS 37944

EUROPE, AND THUS THEIR FUTURE OUTPUT, WOULD REMAIN ABOUT THE SAME AS IN PAST. UK AUTHORITIES DID NOT INTEND TO SEEK MARKET SHARING AGREEMENT COUNTER TO PRINCIPALS OF FREE COMPETITION. IN ABSENCE OF PRACTICAL AGREEMENT, GOVERNMENTS WOULD FIND IT INCREASINGLY HARD TO RESIST PRESSURES FOR UNILATERAL ACTION.

THE EC POSITION WAS ALSO SUPPORTED EXPLICITLY BY EC MEMBERS NETHERLANDS, BELGIUM, GERMANY, FRANCE AND ITALY IN ADDITION TO UK. ALSO SUPPORTING EC POSITION WERE SWEDEN, NORWAY AND FINLAND. SPAIN WAS WITHOUT INSTRUCTIONS THOUGH REP SAID HIS AUTHORITIES WOULD PROBABLY FAVOR EC PROPOSAL.

### 3. JAPANESE DEFENSE

JAPANESE DEL ACCEPTED EC PROPOSED AMENDMENT TO ENTRY IN MINUTES, AND MADE STATEMENT CONTAINING FOLLOWING  
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PAGE 02      OECD P 37944 02 OF 02 232217Z

PRINCIPAL ELEMENTS: GOJ ATTACHES GREAT IMPORTANCE TO WP-6 AND HAS ADOPTED CONCRETE MEASURES WHICH WERE FULLY REPORTED TO WP-6. IT REGRETS FACT THAT OTHER MEMBERS FIND JAPANESE MEASURES INADEQUATE. OECD MEMBER COUNTRIES MUST DEFEND FREE MARKET SYSTEM. LINE OF THINKING BEHIND EC PROPOSALS IS CONTRARY TO FREE MARKET.

4. US ABSTAINS -

US REP POINTING OUT THAT US IS NOT A MEMBER OF THE WP, SAID THAT THE US DELEGATION HAD NO POSITION ON THE EC PROPOSED AMENDMENT, AND THEREFORE ABSTAINED. CANADA AND PORTUGAL JOINED US IN ABSTAINING

5. COMMENT: THIS HIGHLY ORCHESTRATED COUNCIL DISCUSSION REFLECTS CONTINUAL PRESSURE BY THE EUROPEANS ON JAPAN ON SHIPBUILDING ISSUE WHICH HAS BEEN REPORTED IN NUMEROUS MESSAGES FROM HERE, USEC BRUSSELS, TOKYO, AND OTHER POSTS. WE ARE TROUBLED BY THE PROPOSAL FOR AN INTERNATIONALLY SANCTIONED SCHEME TO SHARE NEW ORDERS WITHIN OECD FRAMEWORK. EVEN THOUGH WE ARE NOT DIRECTLY INVOLVED, AND RECOGNIZE THE SERIOUSNESS OF THE PROBLEM FOR THE EUROPEANS, WE ARE CONCERNED THAT GIVING SUCH A CONCEPT INTERNATIONAL RESPECTABILITY RISKS CREATING A PRECEDENT WHICH MAY BE CALLED UPON IN RELATION TO OTHER SECTORS. THUS, WHILE WE UNDERSTAND JAPAN UNLIKELY TO ACCEPT EC PROPOSALS AND DO NOT KNOW WHETHER THE EC REALLY EXPECTS JAPAN TO DO SO, WE THOUGHT IT BEST TO DISSOCIATE OURSELVES IN THE MOST NEUTRAL MANNER FROM THIS CONCEPT. WASHINGTON MAY WISH CREATING A PRECEDENT WHICH MAY BE CALLED UPON IN RELATION TO OTHER SECTORS. THUS, WHILE WE UNDERSTAND JAPAN UNLIKELY TO ACCEPT EC PROPOSALS AND DO NOT KNOW WHETHER THE EC REALLY EXPECTS JAPAN TO DO SO, WE THOUGHT IT BEST TO DISSOCIATE OURSELVES IN THE MOST NEUTRAL MANNER FROM THIS CONCEPT. WASHINGTON MAY WISH LIMITED OFFICIAL USE

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PAGE 03      OECD P 37944 02 OF 02 232217Z

TO PONDER FURTHER THE POLICY IMPLICATIONS OF THIS CONCERTED EUROPEAN CAMPAIGN.  
KATZ

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## Message Attributes

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